UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
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LOW-COST INVESTMENT WHEAT CROP INSURANCE PROGRAM

The Federal Crop Insurance Corporation offered a new low-cost wheat crop insurance program on an experimental basis in three winter wheat counties for the 1948 crop year and anticipates offering it in several spring wheat counties. It is a plan under which the coverage per acre and premium rate are stated in terms of dollars and cents per acre. A producer may, therefore, at the time of applying for insurance, readily figure, on the basis of his share in the acreage to be seeded, the exact dollar protection of his insurance and the premium cost in dollars. To determine if an indemnity is due the insured, the value of both the actual and appraised production based on a fixed price of $1.60 per bushel of wheat is deducted from the coverage. The purpose of the fixed price is to avoid price risk. It was established at approximately 80 percent of the parity price of wheat for June, 1947.

The level of insurance coverage for a county is relatively low but is intended to approximate the major part of the investment in the crop. By limiting the coverage to such level, it is possible to offer this type insurance at a low premium rate. The insurance coverage is the same for all insurable farms in the county. However, different coverages may be offered in a county in which different farming practices are followed, such as one coverage for continuous cropping and a different coverage for summer fallow. If warranted because of varying production risks, separate areas for premium rate purposes may be established, in which case all farms situated within the same area would have the same premium rate. The Corporation may decline to insure certain farms on which the production risk is excessive or not measurable.

The coverage for the insured is progressive rather than a uniform coverage throughout the season. For any acreage of wheat destroyed and seeded to a substitute crop after a release of the acreage by the Corporation, the coverage is one-half of the coverage for other acreage on which the wheat is destroyed and not harvested. The coverage on harvested acreage is $1.60 per acre more than for unharvested acreage.

The contract covers all the wheat in the county in which the insured has a share at the time of seeding. However, separate loss adjustments will be made on each insurance unit. All land in the county under the same ownership which a producer operates forms one insurance unit. (In the case of land rented for cash or fixed rent, the lessee is considered the owner.) Thus, an operator who leases two farms on a share basis from two different landlords would have two insurance units.

Because of the lower risk on large acreages where high production on one part may offset low production on another part, there is a provision for a graduated reduction in premium based on the amount of acreage seeded to wheat on the insurance unit. This reduction ranges from one percent on 25 acres to 20 percent on 975 acres or more.

Since this plan of insurance is experimental, the contract is written on an annual basis.